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PORT COMMISSION:

Concession Audit of Sabella
and LaTorre Sea Foods



Audit Number 02050
May 15, 2003

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER
AUDITS DIVISION

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

May 15, 2003

Audit Number 02050

San Francisco Port Commission
Pier One
San Francisco, CA 94111

President and Members:

The Office of the Controller presents its report concerning the audit of Sabella and LaTorre Sea Foods (Sabella). Sabella has a 66-year lease with the Port Commission (Port) of the City and County of San Francisco to operate a restaurant and to sell seafood on Port property.

Reporting Period: July 1, 1999, through June 30, 2002

Rent Paid: \$802,768

Sabella correctly reported gross receipts of \$12,346,636 and correctly paid its rent to the Port.

Respectfully submitted,

Noriaki Hirasuna
Director

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INTRODUCTION

BACKGROUND

Sabella and LaTorre Sea Foods (Sabella) entered into a 66-year lease with the San Francisco Port Commission (Port) on May 1, 1970 to operate a restaurant and to sell seafood on Port property. For the period reviewed, the lease required Sabella to pay the Port the greater of a minimum monthly rent or a specified percentage of Sabella's monthly gross receipts. The Port specified a percentage rent of 6.5 percent of gross receipts from food and all items sold through the bar, including outdoor crab stand sales. The percentage rent for all other uses was 8.5 percent. During the audit period, the monthly minimum rent ranged from \$1,602 to \$1,888.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Sabella complied with the reporting and payment provisions of its lease with the Port. Our review covered the period from July 1, 1999, through June 30, 2002. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Sabella's procedures for collecting, recording, summarizing, and reporting its gross receipts to the Port. To determine whether Sabella accurately reported its gross receipts to the Port, we compared its reported gross receipts to the gross receipts Sabella reported in its monthly summary records for all months of the audit period. On a sample basis, we examined Sabella's monthly sales records, daily sales reports, cash register tapes, and bank deposit records. We also compared for selected quarters the gross receipts Sabella reported to the Port with the gross receipts Sabella reported to the California Board of Equalization.

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AUDIT RESULTS

SABELLA CORRECTLY REPORTED ITS GROSS RECEIPTS AND CORRECTLY PAID ITS RENT

From July 1, 1999, through June 30, 2002, Sabella correctly reported \$12,346,636 in gross receipts and correctly paid rent of \$802,768 to the Port. The table below shows the reported gross receipts and rent paid to the Port.

TABLE

**Gross Receipts Reported and Rent Paid
July 1, 1999, Through June 30, 2002**

	Gross Receipts	Rent Paid
July 1, 1999, through June 30, 2000	\$4,141,919	\$269,394
July 1, 2000, through June 30, 2001	4,237,371	275,467
July 1, 2001, through June 30, 2002	3,967,346	257,907
	\$12,346,636	\$802,768

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Elisa Sullivan, Audit Manager
Winnie Woo

cc: Mayor
Board of Supervisors
Civil Grand Jury
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